



VIA EMAIL

alatragna@cityofmb.info

Re: Manhattan Beach Smoke Shop Hardship Exemption Application

Dear Honorable Councilmembers:

Please be advised that this firm, Chatila Law LLP, represents MB Smoke Shop for purposes of this hardship application, which is attached hereto. Our client would like to thank this body for its thoughtful consideration in adopting Ordinance #20-0007 to allow for a hardship exemption.

We do want to note that in nearby cities, existing businesses received a permanent exemption from similar ordinances. While our client understands the temporary nature of this Ordinance's hardship exemption, we do note that this honorable body's discretion is not bound by time; thus, we seek a). a permanent exemption conditioned upon the passage of future state or federal laws; or alternatively b). an exemption that lasts for the life of the lease term, which is 2028, at which point the City may allow our client to resubmit an application to extend the term of the exemption.

As you will find in the attached Application, phasing out the newly prohibited products will not be an easy task given the high percentage of sales derived from these products. However, our client is committed to the stated goals of the Ordinance and presents the attached Application with these goals at the forefront, alongside reestablishing years of goodwill with other products.

Please call me at (888) 567-9990 when the document is ready for pick-up. If you have any questions regarding this request please call me.

Sincerely,

BEILAL CHATILA

bc@chatilalaw.com

**City of Manhattan Beach
Retailer Hardship Exemption Application
per Ordinance No. 20-0007**

MB Smoke Shop respectfully requests a business Hardship Exemption and is providing the following information, per Sections #4C-4D of the [City of Manhattan Beach Ordinance No. 20-0007](#), a copy of which is attached for cross referencing:

Section 4C

1. Feras Adamo, Owner of Manhattan Beach Smoke Shop, located at 1005 N. Aviation Blvd, Manhattan Beach, CA 90266
2. Chatila Law, Beilal Chatila, Esq., 2001 Addison Street, Suite 307, Berkeley, CA 94704, 888-567-9990, chatilalaw@gmail.com or bc@chatilalaw.com
3. Signature (see **Exhibit 1**, Declaration)
4. Declaration attached (**Exhibit 1**)
5. 12/31/27 (see copy of lease, **Exhibit 3**)
6. See **Exhibits 1-4** for documentation relevant to information requested in Section D
7. Per conversation with the City of Manhattan Beach on 10/28/2020, no filing fee is required.

Section 4D

1. 80-85% of the retail sales of the over the last three years have been derived from tobacco products
2. See **Exhibit 5** for total amount invested in business
3. As of 12/31/19:
Total inventory investments: \$160,140.00
Plus Fixtures: \$139,137.00
Less Depreciation: \$48,076.00
4. IRS Depreciation Schedule (**Exhibit 2**)
5. Cigarette racks, vape displays, humidors: "useful life" equals eight (8) years
6. Lease ends 12/31/2027 (**Exhibit 3**)
7. See pages 6-7, 9 in attached business plan (**Exhibit 4**)
8. Business has established clientele; moving would result in sales drop and loss of customer base; clients can easily go to Redondo Beach where Ordinance No. 20-0007 has no jurisdiction; currently client is located in area not easily accessible to underage individuals; client would have difficulty finding a similar location if forced to relocate.
9. Business Plan attached (**Exhibit 4**)

ORDINANCE NO. 20-0007

AN ORDINANCE OF THE CITY OF MANHATTAN BEACH
AMENDING MANHATTAN BEACH MUNICIPAL CODE CHAPTER
4.118 TO PROHIBIT THE SALE OF ALL TOBACCO PRODUCTS
AND ELECTRONIC SMOKING DEVICES, AND MAKING A
FINDING OF EXEMPTION UNDER THE CALIFORNIA
ENVIRONMENTAL QUALITY ACT

RECITALS

A. The City of Manhattan Beach is committed to protecting the public health and welfare.

B. Cigarettes cause millions of premature, preventable deaths.

C. Tobacco use causes death and disease and continues to be an urgent public health threat, as evidenced by the fact that 480,000 people die prematurely in the United States from smoking-related diseases every year, making tobacco use the leading cause of preventable death. In the United States, smoking is responsible for about one in every five deaths, more deaths each year than human immunodeficiency virus (HIV), illegal drug use, alcohol use, motor vehicle injuries, microbial agents, and toxic agents combined.

D. Tobacco use leads to more than \$300 billion in health care and lost worker productivity costs each year.

E. On November 5, 2019, the City Council adopted Urgency Ordinance No. 19-0016-U to prohibit the sale of vape products, electronic smoking devices, and tobacco products that impart a characterizing flavor. Nothing in this Ordinance shall be construed to remove, delay or affect that prohibition.

NOW THEREFORE, THE MANHATTAN BEACH CITY COUNCIL DOES
ORDAIN AS FOLLOWS:

SECTION 1. The City Council hereby amends Manhattan Beach Municipal Code Chapter 4.118 to read as follows:

"Chapter 4.118 – PROHIBITION OF THE RETAIL SALE OF TOBACCO
PRODUCTS AND ELECTRONIC SMOKING DEVICES

4.118.010 - Definitions.

For the purposes of this chapter, the following definitions shall apply:

"Electronic smoking device" means (1) an electronic or battery-operated device that can deliver an inhalable dose of nicotine to the user or (2) any product intended or sold for use with such a device. "Electronic smoking device" includes any product meeting this definition, regardless of whether it is manufactured,

distributed, marketed or sold as an electronic cigarette, electronic cigar, electronic cigarillo, electronic pipe, electronic hookah, electronic vape, vaping device, vaporizer, or any other product name or descriptor. "Electronic smoking device" also includes any liquid or substance containing nicotine, whether sold separately or sold in combination with any device that could be used to deliver an inhalable dose of nicotine to a person.

"Retailer" means any person who sells, exchanges, or offers to sell or exchange, for any form of consideration, tobacco products or electronic smoking devices. "Retailing" shall mean the doing of any of these things.

"Tobacco product" means any product containing, made, or derived from tobacco or nicotine, whether natural or synthetic, including but not limited to cigarettes, cigars, pipe tobacco, hookah tobacco, snuff, chewing tobacco, dipping tobacco, snus, bidis, or any other preparation of tobacco that is manufactured, sold, offered for sale, or otherwise distributed with the expectation that the product or matter will be introduced into the human body. "Tobacco product" does not include any cessation product specifically approved by the United States Food and Drug Administration for use in treating nicotine or tobacco dependence.

4.118.020 - Prohibitions.

It shall be unlawful for any person to sell a tobacco product or electronic smoking device in the City.

4.118.030 - Enforcement.

A. Any violation of this chapter is hereby declared to be a public nuisance.

B. Causing, permitting, aiding, abetting, or concealing a violation of any provision of this chapter shall also constitute a violation of this chapter.

C. Violations of this chapter may be remedied by a civil action brought by the City, including, but not limited to, administrative or judicial nuisance abatement proceedings, civil code enforcement proceedings, and suits for injunctive relief. For the purposes of the civil remedies provided in this chapter, each day on which a tobacco product or electronic smoking device is offered for sale in violation of this chapter, and each individual retail tobacco product or electronic smoking device that is distributed, sold, or offered for sale in violation of this chapter, shall constitute a separate violation of this chapter.

D. The City Prosecutor shall have discretion to prosecute violations of this chapter as infractions or misdemeanors.

E. The remedies provided by this chapter are cumulative and in addition to any other remedies available at law or in equity."

SECTION 2. CEQA FINDING. This Ordinance is exempt from the environmental review requirements of the California Environmental Quality Act ("CEQA") pursuant to Section 15061(b)(3) of Title 14 of the California Code of

Regulations because it can be seen with certainty that there is no possibility that the activity in question (prohibiting the retail sale of tobacco) may have a significant effect on the environment.

SECTION 3. IMPLEMENTATION AND ENFORCEMENT. The City shall not enforce this Ordinance, except the prohibition on the sale of vape products, electronic smoking devices, and tobacco products that impart a characterizing flavor, until January 1, 2021.

SECTION 4. HARDSHIP EXEMPTION.

A. An application for a hardship exemption to be excluded from this Ordinance or extend the time to comply with this Ordinance may be filed pursuant to this section.

B. Any retailer that wishes to sell tobacco products on or after January 1, 2021, may apply for one hardship exemption. A retailer must submit a complete application for a hardship exemption at any time between September 1, 2020, and October 31, 2020. Such application shall be made in writing on a form prescribed by the Director of Finance and shall be accompanied by the filing fee established by resolution of the City Council. The retailer shall bear the burden of proof in establishing, by a preponderance of the evidence, that the application of this Ordinance No. 20-0007, amending Manhattan Beach Municipal Code Chapter 4.118, to the retailer's business is unreasonable, and will cause significant hardship to the retailer by not allowing the retailer to recover his or her investment backed expectations. The retailer applying for the exemption shall furthermore be required, in order to meet its burden of proof, to submit the documents set forth in this section.

C. A complete application for a hardship exemption shall include the following:

1. The retailer's name and street address of business;
2. The address to which notice is to be mailed, at the retailer's option, a telephone number and email address;
3. The retailer's signature;
4. A declaration, under penalty of perjury, that all the information in the application is true and correct;
5. The term of the requested extension;
6. Documentation relevant to the information requested in subsection D of this section; and
7. The required filing fee.

D. In determining whether to grant a hardship exemption to the retailer, and in determining the appropriate length of time that the retailer will be authorized to continue retailing, the City Council may consider, among other factors:

1. The percentage of the retail sales over the last three years that have been derived from tobacco products;
2. The amount of investment in the business;
3. The present actual and depreciated value of any business improvements dedicated to the retail sale of tobacco products;
4. The applicable Internal Revenue Service depreciation schedule or functional non-confidential equivalent;
5. The remaining useful life of the business improvements that are dedicated to the sale of tobacco products;
6. The remaining lease term of the business, if any;
7. The ability of the retailer to sell other products;
8. The opportunity for relocation of the business and the cost of relocation; and
9. A business plan demonstrating how long the business will need to sell tobacco products to recoup any investment backed expectations, and a plan for phasing out the sale of those products.

E. The hardship exemption hearing shall be conducted by the City Council. Written notice of the time and place of the hearing shall be given at least 10 calendar days prior to the date of the hearing to the retailer by the City either by causing a copy of such notice to be delivered to the retailer personally or by mailing a copy thereof, postage prepaid, addressed to the retailer at the address shown on the hardship exemption application.

F. Within 45 days after a completed application is filed, the City Council shall open the hearing on the hardship exemption. The City Council shall receive and consider evidence presented by the retailer, and shall determine whether to grant or deny the hardship exemption, and if granting the hardship exemption, the length of time that the retailer will be permitted to operate. The Council has the discretion to provide a hardship exemption for an unlimited period. The City Council shall make written findings in support of the decision. The decision of the City Council shall be final and conclusive.

G. A retailer may continue to sell tobacco products while a hardship exemption application is pending before the City Council.

SECTION 6. SEVERABILITY. If any part of this Ordinance or its application is deemed invalid by a court of competent jurisdiction, the City Council intends that

such invalidity will not affect the effectiveness of the remaining provisions or their application and, to this end, the provisions of this Ordinance are severable.

SECTION 7. CERTIFICATION. The City Clerk shall certify to the passage and adoption of this Ordinance and shall cause this Ordinance to be published within 15 days after its passage, in accordance with Section 36933 of the Government Code.

ADOPTED on February 18, 2020.

AYES:
NOES:
ABSENT:
ABSTAIN:

NANCY HERSMAN
Mayor

ATTEST:

LIZA TAMURA
City Clerk

APPROVED AS TO FORM:



QUINN M. BARROW
City Clerk


DECLARATION IN SUPPORT OF HARDSHIP APPLICATION

I, Feras Adamo, declare as follows:

1. The information contained in the attached Hardship Application is true and correct, and if called to testify, I will be able to competently testify as to the matters contained therein;
2. I intend to carry out plans contained in the Business Plan in good faith;
3. As part of this process, we have discovered that the goodwill of my business is based, in large part, on its unique location, making relocation an impracticable and bad business decision;
4. I am committed to achieving the public health goals contained in the Ordinance by, among other things, preventing anyone under the age of 21 from entering the premises.

I declare under penalty of perjury of the laws of the State of California that the foregoing is true and correct.

Executed at Manhattan Beach, California.


FERAS ADAMO
Owner, MB Smoke Shop

Dated this 26 day of Oct, 2020

Federal Asset Report

Form 1120, Page 1

Asset	Description	Date In Service	Cost	Bus %	Sec 179	Bonus	Basis for Depr	PerConv Meth	Prior	Current
Section 179 Expense:										
4	FURNITURE	12/04/19	1,365		X	X	N/A	7 HY 200DB	0	1,365
5	CASH REGISTER	9/01/19	2,500		X	X	N/A	5 HY 200DB	0	2,500
			<u>3,865</u>				<u>N/A</u>		<u>0</u>	<u>3,865</u>
5-year GDS Property:										
5	CASH REGISTER	9/01/19	N/A*		X	X	0	5 HY 200DB	0	0
			<u>0</u>				<u>0</u>		<u>0</u>	<u>0</u>
7-year GDS Property:										
4	FURNITURE	12/04/19	N/A*		X	X	0	7 HY 200DB	0	0
6	FURNITURE	11/30/19	18,371			X	0	7 HY 200DB	0	18,371
			<u>18,371</u>				<u>0</u>		<u>0</u>	<u>18,371</u>
Prior MACRS:										
1	FIXTURES	6/20/18	8,000				8,000	7 HY 200DB	1,143	1,959
2	IMPROVMENT	6/20/18	71,800				71,800	39 MMS/L	997	1,841
3	CAMERA	12/21/18	1,800		X		0	5 HY 200DB	1,800	0
			<u>81,600</u>				<u>79,800</u>		<u>3,940</u>	<u>3,800</u>
Listed Property:										
7	2016 ACURA RLX	9/27/19	35,301			X	17,201	5 HY 200DB	0	18,100
			<u>35,301</u>				<u>17,201</u>		<u>0</u>	<u>18,100</u>
Grand Totals			139,137				97,001		3,940	44,136
Less: Dispositions and Transfers			0				0		0	0
Less: Start-up/Org Expense			0				0		0	0
Net Grand Totals			<u>139,137</u>				<u>97,001</u>		<u>3,940</u>	<u>44,136</u>

*Because this asset has 179 expense, its cost has been included in the Section 179 Property cost total

AMENDMENT TO LEASE

THIS AMENDMENT TO LEASE ("Amendment") is entered into this 1st day of August 2019 by and between The Alexis Margaux Golbahar Childs Trust and the The Amanda Pavie Golbahar Childs Trust hereinafter called ("Landlord") and Feras Adamo hereinafter called ("Tenant"). Landlord and Tenant collectively may be referred to as "Parties"

RECITALS

Whereas Landlord and Tenant entered into a Lease Agreement dated November 14th, 2014, regarding property at 1005 N Aviation Blvd, Manhattan Beach, CA 90266 (the "Premises"), which lease, including all exhibits, addendums and attachments, is hereinafter referred to as the "Lease" and is incorporated herein by references: and

WHEREAS, the parties wish to amend the Lease.

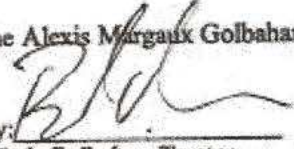
NOW, THEREFORE, the parties hereby agree to amend the Lease as follows:

1. Pursuant to the Lease at Paragraph 11 (ELEVEN) Tenant hereby exercises his Option to Extend the term of his Lease for an additional three years and 77 days, commencing on October 15, 2019 and expiring December 31, 2022.
2. The base rent for the initial year (October 15, 2019 - October 14, 2020) of the Option period shall be \$4,550. NNN per month. The rent shall increase by 3.5% annually on October 15th of each subsequent year of the Option Period.
3. Additionally the Lease shall be amended to include an Additional Option Period of five years from January 1, 2023 - December 31, 2027. The rent for the first year of this Additional Option Period shall be determined by Fair Market Value but shall not be less than the rent of the previous year plus 10%.
4. All terms, covenants, conditions and provisions of the Lease shall remain in full force and effect except as may be modified by this Amendment.
5. This Amendment shall be binding upon and inure to the benefit of all parties hereto and their respective heirs, devisees, legatees, beneficiaries, personal representatives administrators, executors, successors and permitted assigns.

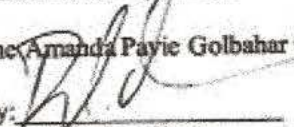
IN WITNESS WHEREOF, the parties have executed the Assignment on the date set forth next to their respective signatures.

LANDLORD:

The Alexis Margaux Golbahar Childs Trust

By: 
Bob Golbahar, Trustee

The Amanda Pavie Golbahar Childs Trust

By: 
Bob Golbahar, Trustee

TENANT:


Feras Adamo

9/17/2019

Schedule L Balance Sheets per Books		Beginning of tax year		End of tax year	
Assets		(a)	(b)	(c)	(d)
1	Cash		103,688		238,061
2a	Trade notes and accounts receivable				
b	Less allowance for bad debts				
3	Inventories		140,300		160,140
4	U.S. government obligations				
5	Tax-exempt securities (see instructions)				
6	Other current assets (att. stmt.) Stmt				30,000
7	Loans to shareholders				
8	Mortgage and real estate loans				
9	Other investments (attach stmt.)				
10a	Buildings and other depreciable assets	81,600		139,137	
b	Less accumulated depreciation	3,940	77,660	48,076	91,061
11a	Depletable assets				
b	Less accumulated depletion				
12	Land (net of any amortization)				
13a	Intangible assets (amortizable only)				
b	Less accumulated amortization				
14	Other assets (attach stmt.)				
15	Total assets		321,648		519,262
Liabilities and Shareholders' Equity					
16	Accounts payable		48,986		40,491
17	Mortgages, notes, bonds payable in less than 1 year				
18	Other current liabilities (att. stmt.) Stmt		25,249		75,838
19	Loans from shareholders		164,800		
20	Mortgages, notes, bonds payable in 1 year or more				
21	Other liabilities (attach statement) Stmt				18,809
22	Capital stock: a Preferred stock				
	b Common stock				
23	Additional paid-in capital		100		100
24	Retained earnings—Appropriated (att. stmt.)				
25	Retained earnings—Unappropriated		82,513		384,024
26	Adjustments to SH equity (att. stmt.)				
27	Less cost of treasury stock				
28	Total liabilities and shareholders' equity		321,648		519,262

Schedule M-1 Reconciliation of Income (Loss) per Books With Income per Return

Note: The corporation may be required to file Schedule M-3. See instructions.

1	Net income (loss) per books	301,511	7	Income recorded on books this year not included on this return (itemize):	
2	Federal income tax per books	42,273		Tax-exempt interest \$	
3	Excess of capital losses over capital gains				
4	Income subject to tax not recorded on books this year (itemize):		8	Deductions on this return not charged against book income this year (itemize):	
5	Expenses recorded on books this year not deducted on this return (itemize):		a	Depreciation \$	
a	Depreciation \$		b	Charitable contributions \$	
b	Charitable contributions \$				
c	Travel and entertainment \$	372	9	Add lines 7 and 8	
		372	10	Income (page 1, line 28)—line 6 less line 9	344,156
6	Add lines 1 through 5	344,156			

Schedule M-2 Analysis of Unappropriated Retained Earnings per Books (Line 25, Schedule L)

1	Balance at beginning of year	82,513	5	Distributions: a Cash	
2	Net income (loss) per books	301,511		b Stock	
3	Other increases (itemize):			c Property	
			6	Other decreases (itemize):	
			7	Add lines 5 and 6	
4	Add lines 1, 2, and 3	384,024	8	Balance at end of year (line 4 less line 7)	384,024

MB Smoke Shop

BUSINESS PLAN



Feras Adamo, Owner
October 2020

Executive Summary

Mission Statement

To deliver the ultimate smoke shopping experience for adults 21+ years of age in the Manhattan Beach area as well as cities within one-mile radius, including Redondo Beach, Hermosillo Beach, and El Segundo area.

Principal Members

Feras Adamo, Owner

Legal Structure

MB Smoke Shop is a C corporation.

History

Since its inception a few short years ago, Feras Adamo, a Syrian immigrant who left tough conditions in his home country, has worked tirelessly to turn MB Smoke Shop into a successful business. Mr. Adamo leveraged everything he had and invested it into this endeavor. As soon as the business started to see a semblance of that success, the City of Manhattan Beach passed an ordinance that prohibits over 80% of his products from being sold. Unlike other cities, where lawsuits had to be filed to challenge the law on its merits, or seek just compensation for what amounted to a Constitutional taking, the City of Manhattan Beach recognized MB Smoke Shop as the only business of its kind in the City, and has allowed for a hardship exemption application to be filed, thereby showing its commitment to small business owners while also avoiding timely and costly litigation.

Products

MB Smoke Shop is a California-based business specializing in top quality, specialty smoke shop merchandise and tobacco products. Under Ordinance #20-0007, more than 80% of product sales will be banned. Currently, these products represent roughly \$200,000 in inventory. While this business plan delineates the planned phase out of these products, no such phasing out can sustainably occur without replacement products. As such, the below plan is by no means exact; however, it does articulate the specific approach to meeting a balance of business and public health goals.

Customers

The target customer base for MB Smoke Shop has been adults over the age of 21, and residents of the Manhattan Beach area and surrounding cities including Hermosa

Beach, El Segundo and others. Given the strict ordinances prohibiting tobacco products in nearby cities, many customers come to Manhattan Beach to buy these products, oftentimes bringing in revenue to neighboring businesses as well.

Future

MB Smoke Shop, while being committed to the goals of the City of Manhattan Beach, remains the only business of its kind in the City. With a meaningful grant of this hardship exemption application, it can avoid closure. Given the fact that the goodwill of MB Smoke Shop has been built on the newly prohibited items, the future success is wholly dependent on a). having enough time to transition and rebuilt the goodwill; and b). identifying products that the current customer base will purchase, including but not limited to nicotine cessation products. MB Smoke Shop recognizes the dichotomy between being a nicotine retailer and selling nicotine cessation products, but with due time, we believe that this will not only be an important business decision, but one that will be appreciated by its customers in the long-run.

(CONTINUED BELOW)

Market Research

Industry

Smoke shops across the United States are facing the incredible challenge of revising business models to adhere to local ordinances banning the sale of tobacco products. In contravention of these laws, many retailers have simply gone online to sell the prohibited products in the same jurisdictions they are banned. Others have resorted to taking their products to the black market, which studies have shown thrives in places where blanket prohibitions are in effect. MB Smoke shop does not consider either of these alternatives to be sustainable and is committed to remaining a walk-in business that is in full adherence to all applicable laws.

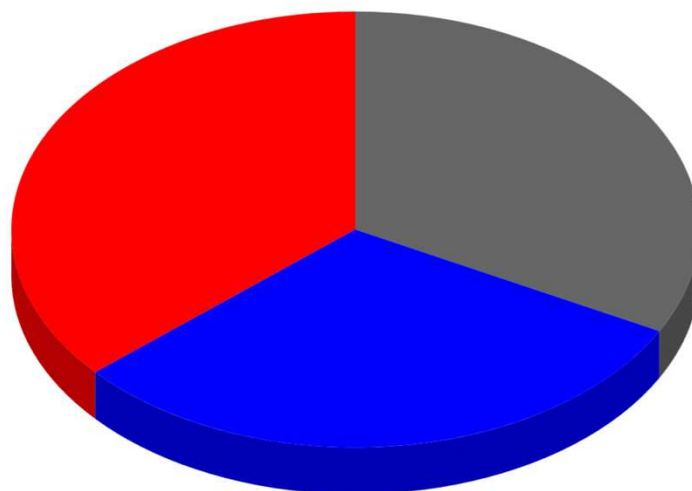
Survey

MB Smoke Shop customers were recently surveyed, delivering the following feedback:

- 90% surveyed said they would simply drive over to the next city that does not have a ban to purchase the ordinance-banned products.
- 100% supported a hardship exemption for MB Smoke Shop
- 90% said they would not shop at MB Smoke Shop if they discontinued the sale of flavored tobacco products

Customer Survey Results

- surveyed said they would simply drive over to the next city to purchase the ordinance-banned products
- supported a hardship exemption for Manhattan Beach Smoke Shop
- would not shop at Manhattan Beach Smoke Shop if they discontinued the sale of flavored tobacco products



MB Smoke Shop Reputation (Goodwill)

- MB Smoke Shop is a California-based business, rated [4.5/5 on Yelp by customers](#) and included in their “[Best 10 smoke shops near Manhattan Beach](#)” list.

Rating Details

Monthly Trend



Understand how a business' rating changes month-to-month. [Learn more.](#)

Overall Rating

Yelping since 2015 with 72 reviews



We calculate the overall star rating using only reviews that our automated software currently recommends. [Learn more.](#)

- In June of 2020, MB Smoke Shop was approached by a prospective buyer, whose offer valued the goodwill of the business at \$600,000, exclusive of inventory.
- If the Ordinance went into effect today without a hardship exemption for at least the remaining term of the lease, the value of the goodwill of the business would dramatically diminish.
- Location:
 - MB Smoke Shop is the ONLY one of it's kind in the city
 - location is next door to other thriving 21+ businesses
 - not conflicting with any regulations pertaining to distance from 21 and

- under establishments, schools, etc.
- MB Smoke Shop is a trademarked name in the State of California.

Current Products

Speciality merchandise sold at MB Smoke Shop include but are not limited to the following:

- Cigarettes
- Cigars (over and under \$12.00)
- Vape products
- Electronic Cigarettes
- E Juice/E Liquid
- Glass Pipes, Water Pipes
- Hookahs
- Hookah Tobacco
- Lighters, including Zippo Lighters



1

Prospective Products

In due time, MB Smoke Shop is seeking to phase in some of the following products, depending on several factors, including license limitations and customer desires:

- Specialty glass pipes, such as the ones seen below, are the first products that will take some of the space currently held by the newly prohibited ones.

¹ Actual image of MB Smoke Shop. Taken October 10, 2020.



- Nicotine cessation products (seen below), while seeming to be a natural alternative to nicotine, are in fact the opposite. The sales of these low-margin products will be wholly dependent upon the desires of the customer to quit. Part of the marketing of these products will incorporate the public health goals stated in the Ordinance.



Research and Development

The company is planning to conduct the following research and development:

- Include a feedback mechanism on the website for ideas, suggestions, and improvements
- Conduct internal market research
- Review available market research to identify top smoke shop merchandise and reason(s) for their popularity

² The profit margins on glass pipes are higher than most other alternative products, but they are sold in far less volume. With time, MB smoke Shop seeks to increase the volume of these items to compensate for losses elsewhere.

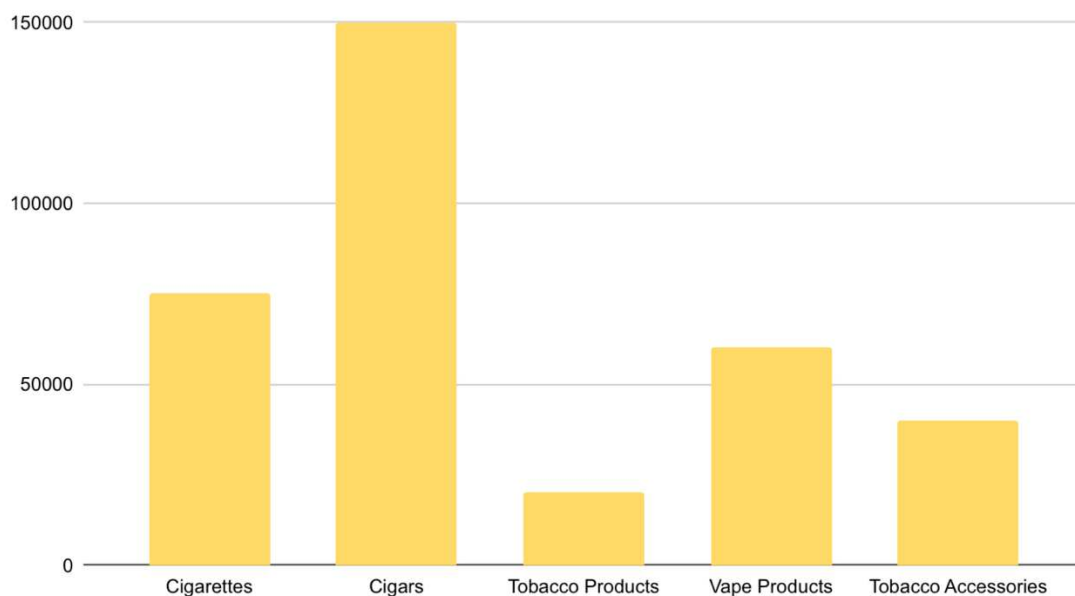
Marketing & Sales

Growth/Transition Strategy

Taking into account the current favored tobacco/tobacco products bans, MB Smoke Shop will focus on sustaining and growing the company by doing the following:

1. Offsetting ongoing capital costs with sale of remaining tobacco products (refer to “Current Tobacco Products Inventory” chart below)

Current Tobacco Products Inventory (Oct 2020)



2. Focus on promoting nicotine cessation products
 - a. According to an [article published by Medical News Today](https://www.medicalnewstoday.com/articles/323012#what-is-nicotine-withdrawal)³ that was last medically reviewed on January 11, 2020: “Withdrawal symptoms set in between 4 and 24 hours after a person smokes their last cigarette. The symptoms peak around day 3 of quitting and then gradually subside over the following 3 to 4 weeks.”
 - b. The same article provides a list of nicotine replacement therapy products our shop plans to make available including:

³ “Nicotine withdrawal symptoms and how to cope”, Aaron Kandola, January 11, 2020, <https://www.medicalnewstoday.com/articles/323012#what-is-nicotine-withdrawal>

Growth/Transition Strategy (continued)

- i. Chewing gum
 - ii. Skin patches
 - iii. Inhalators
 - iv. Tablets
 - v. Nasal/mouth sprays
3. Invest \$150k into marketing/advertising
 - a. Increase awareness to our targeted customers via online advertising, social media, etc.

Communicate with the Customer

MB Smoke Shop will communicate with its customers by:

- Providing an email newsletter with company news, product information,
- Using targeted Google and Facebook advertisements.
- Utilizing social media such as Twitter, YouTube, Facebook, LinkedIn, Pinterest and Tumblr.
- Providing contact information on the company website.
- Adding labels on merchandise that include company name, contact info, and web address.

How to Sell

Currently, the person in charge of sales for MB Smoke Shop is the owner, Feras Adamo. As profits increase, MB Smoke Shop will look to add an employee to assist with social media and online marketing. The target demographic for the company will be adults ages 21+.

Staff

MB Smoke shop currently employs five full time support staff.